



Department of Justice

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EASTMAN CHEMICAL COMPANY AGREES TO PLEAD GUILTY TO PRICE FIXING CHARGES AND PAY \$11 MILLION CRIMINAL FINE

Case Marks Justice Department's First Criminal Antitrust Charge in its Food Preservatives Industry Investigation

WASHINGTON, D.C.-- American chemical giant Eastman Chemical Company agreed to plead guilty today and pay an \$11 million criminal fine for participating in an international price-fixing conspiracy in the food preservatives industry, the Department of Justice said. Today's case is the Department's first criminal antitrust charge in an ongoing international investigation into price fixing in the sorbates industry.

Roughly \$200 million worth of sorbates--which include potassium sorbate and sorbic acid--is sold annually worldwide. Sorbates are chemical preservatives used primarily as mold inhibitors in high-moisture and high-sugar foods such as cheese and other dairy products, baked goods, and other processed foods.

"Today's case represents a dramatic demonstration of the Antitrust Division's continued commitment and ability to attack international cartel activity that increases prices for American consumers and unfairly impedes free and open competition in our markets," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

The charges against Eastman were filed today in U.S. District Court in San Francisco. As part of the plea agreement, which must be accepted by the court, Eastman has agreed to cooperate in the ongoing government investigation.

Eastman Chemical Company is headquartered in Kingsport, Tennessee. During the conspiracy, Eastman produced sorbates at its plant in Chocolate Bayou, Texas.

The case charges that Eastman, through one or more of its employees, conspired with other unnamed sorbates producers to suppress and eliminate competition in the sorbates market from in or about January 1995 until in or about June 1997.

The Department charges that representatives of Eastman agreed with their co-conspirators on prices to be charged for sorbates sold in the United States.

The single-count felony information charges the company with:

- Participating in conversations to discuss the prices of sorbates sold in the United States;
- Agreeing, during those conversations, to charge prices at certain levels and otherwise increase and maintain prices of sorbates sold in the United States; and
- Issuing price announcements and price quotations in accordance with the agreements reached.

“Today’s case is just the first in our ongoing probe of antitrust violations in the sorbates industry and represents an expansion of the Division’s investigations into numerous international markets,” said Gary R. Spratling, the Antitrust Division’s Deputy Assistant Attorney General for criminal enforcement. “The company that was charged today will provide valuable cooperation that will help advance our investigation against its co-conspirators.”

Eastman Chemical Company was charged with violating Section 1 of the Sherman Act, which carries a maximum fine of \$10 million for corporations. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Today’s charges are the result of an investigation conducted by the Antitrust Division’s San Francisco Field Office and the Federal Bureau of Investigation in San Francisco. The matter was originally referred to the Department of Justice by the Federal Trade Commission.

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